

BUDGET 1999

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*Building today for
a better tomorrow*

Building on the Canadian Opportunities Strategy

February 1999

Canada

"Innovation and knowledge are two sides of the same coin – the true hard currency of the future, the sources of sustained growth."

Finance Minister Paul Martin
1999 budget speech

The Canadian Opportunities Strategy was introduced in the 1998 budget. It is a seven-part plan that will expand access for Canadians to the knowledge, skills and learning they will need for better jobs and a better standard of living in the 21st century. As a result of the 1998 budget, the government will be investing over \$1.2 billion in 1999-2000 to make reaching these goals more accessible and more affordable. To this will be added over \$300 million a year in Canada Millennium Scholarships starting in 2000.

Hundreds of thousands of Canadians have already benefited from the Canadian Opportunities Strategy. The very positive response to the Canada Education Savings Grant indicates that the strategy to build today for a better tomorrow is on the right track.

The number of Canadians benefiting will continue to grow as more of the Strategy's measures and programs, outlined below, are fully utilized, and as the government builds upon the investments made to date.

The 1999 budget builds on the Canadian Opportunities Strategy by investing more than \$1.8 billion over the remainder of this fiscal year and the next three years in creating knowledge, disseminating knowledge, commercializing knowledge, and supporting employment.

The Canadian Opportunities Strategy: An Update

Providing financial assistance for students

Canada Millennium Scholarships

Canada Millennium Scholarships are an important part of the Canadian Opportunities Strategy. And with good reason.

Beginning in 2000, each year (for 10 years), as many as 100,000 Canadians who need help financing their studies and demonstrate merit will receive Canada Millennium Scholarships, thanks to a federal endowment of \$2.5 billion.

Canadians of all ages in universities, community colleges and CEGEPs will be eligible.

For full-time students, scholarships will average \$3,000 a year and students can receive up to \$15,000 over a maximum of four academic years of study towards undergraduate degrees, diplomas or certificates.

The arm's length Canada Millennium Scholarship Foundation will manage the endowment and award the scholarships. The Foundation's Chairman, Jean Monty, has announced the names of the Members and Directors (including two students), and work is advancing on the design of the scholarships.

For more information:
1-877-786-3999
<http://www.millenniumscholarships.ca>

Canada Study Grants

Since last year's budget, almost 34,000 students with children or other dependants whose financial needs are not fully met by student assistance and student loans, have received Canada Study Grants estimated to average \$2,225. This initiative is helping students with the greatest financial needs.

For more information:
1-888-432-7377
http://www.hrdc-drhc.gc.ca/student_loans

Support for advanced research

The government funds three granting councils that provide research grants, scholarships and fellowships for graduate and post-graduate students – the Medical Research Council, Natural Sciences and Engineering Research Council, and Social Sciences and Humanities Research Council.

Already, more graduate students and projects are being funded because of the \$405-million increase in funding to the granting councils over three years, beginning in 1998-99.

Helping individuals manage their student debt

The Canadian Opportunities Strategy introduced a number of measures to help manage student debt.

Tax relief for interest on student loans

For the first time, all individuals repaying federal and provincial student loans can claim a new 17-per-cent federal tax credit on the

interest portion of their payments. One million Canadians stand to benefit when they file their 1998 tax returns.

For someone with a student loan of \$25,000, the combined federal-provincial value of the tax credit will be about \$530 in the first year, and up to \$3,200 over the 10 years during which the loans are usually paid off.

Canada student loan interest relief

More graduates having trouble repaying their student loans are eligible for interest relief. Interest relief payments by the federal government between April and September 1998 increased by 137 per cent compared with the same period in 1997, and the number of people getting help with their interest payments increased by 29 per cent to over 70,000.

How has interest relief been enhanced?

- Since April 1998, graduates have been able to earn more and still be eligible for interest relief.
- For graduates who have used 30 months of interest relief, lending institutions will extend the loan repayment period to 15 years. At current rates, this could lower graduates' monthly payments by nearly 25 per cent.
- As well, the government has extended the interest relief period from 30 to 54 weeks (during the five years after leaving school) for graduates who remain in financial difficulty.
- These measures should address most graduates' needs. But for the minority who remain in financial difficulty after these relief measures, the government will reduce the loan principal if an individual's annual payments exceed on average 15 per cent of his or her income. The maximum amount of assistance is \$10,000 or

50 per cent of the loan, whichever is less, and five years must have passed since studies were completed.

Alternative payments to Quebec and the Northwest Territories will increase to help them finance their comparable programs.

For more information:
1-888-432-7377
http://www.hrdc-drhc.gc.ca/student_loans

Encouraging families to save for education

Canada Education Savings Grant (CESG)

One of the best ways to help ensure the future of our children is to save for their education today. Canadians clearly agree because response to the new CESG has been very strong.

Registered education savings plans (RESPs) were introduced in 1972. After 25 years there was a net accumulation of \$2.5 billion in the plans. With the introduction of the CESG, this amount has grown to \$4 billion during the last year alone. As a result, CESGs will likely total \$300 million in 1998. The number of institutions offering RESPs has risen from 30 to 80 since the CESG was announced.

Here's why the response has been so strong.

A grant equal to 20 per cent of the first \$2,000 in annual contributions for children up to age 18 – up to \$400 a year per child – is added to the RESP. And unused grant contribution room can be carried forward to future years, so that in some cases an annual RESP contribution of \$4,000 may be eligible for the grant.

The CESG means a family saving \$25 every two weeks in an RESP for 15 years will accumulate an education fund worth \$18,790, assuming a rate of return of 5 per cent. With the CESG, saving inside an RESP can yield an education fund worth 40 per cent more than saving outside an RESP.

For more information:
1-888-276-3624
<http://www.hrdc-drhc.gc.ca/cesg>

Helping Canadians upgrade their skills

To keep their job or get a new one, many Canadians want to take time away from work to upgrade their skills through full-time study. The Canadian Opportunities Strategy helps make this financially possible.

Tax-free RRSP withdrawals for lifelong learning

At least six million Canadians have RRSPs. Beginning this year, they can withdraw money tax-free to pursue full-time training or higher education lasting at least three months during the year.

Individuals may withdraw up to \$10,000 a year from their RRSP to a maximum of \$20,000 over four years – and they have up to 10 years to repay their RRSP. Students with disabilities may qualify even while studying part-time.

For more information:
Contact Revenue Canada's
Tax Service Offices

Tax relief for part-time students

When part-time students file their 1998 tax returns, they will benefit from two important tax changes.

About 250,000 part-time students will be able to claim an education amount of \$60 for each month they are enrolled in a course lasting at least three weeks and including a minimum of 12 hours of course work per month.

Some 50,000 part-time students will also now be able to claim the child care expense deduction. Single parents can deduct child care costs for periods when they were enrolled in part-time course work.

In two-parent families, the higher-income spouse can deduct child care costs arising out of the part-time study of the other spouse equal to the least of: (1) actual expenses; (2) two-thirds of earned income for the year; and, (3) for each month a part-time education credit is claimed, \$175 per child under age 7 and \$100 per child 7 to 16.

Supporting employment

EI premium holiday for youth employment

Starting in 1999, employers have a new incentive to hire young Canadians – they will not have to pay EI premiums for new jobs created for youth aged 18 to 24 in 1999 and 2000. This measure is expected to reduce payroll costs for employers by about \$100 million in each year.

Youth at risk

The government is more than doubling funding for youth at risk who lack basic education and job skills. In 1998-99 alone, the additional

\$50 million enabled 5,000 more youth to participate in community-based projects, at an average cost of assistance of \$10,000 each. In 1999-2000, the additional funding will rise to \$75 million, and in 2000-01 a total of \$100 million more a year will be invested.

Connecting Canadians to information and knowledge

Thanks to increased funding, more Canadian schools and communities now have access to the information highway.

SchoolNet is on course to connect Canada's 16,000 public schools and 3,400 public libraries to the Internet by March 31, 1999. The Community Access Program is helping to establish 10,000 public Internet access sites by March 31, 2001. And the Canadian Network for the Advancement of Research, Industry and Education (CANARIE) is putting in place the first national optical Internet – the next generation backbone for the Internet. It's expected to be fully operational this year.

The 1999 Budget: Building on the Canadian Opportunities Strategy

The 1999 budget's additional investment of more than \$1.8 billion over the remainder of this fiscal year and the next three years will build on the Canadian Opportunities Strategy in the following vital areas.

Creating knowledge

■ An additional \$200 million will be invested in the Canada Foundation for Innovation (CFI) to support the acquisition and modernization of world-class research infrastructure, about half of which is awarded for health-related research infrastructure. The total \$1-billion federal investment in the CFI, combined with contributions from its provincial and other partners, will generate investments of \$2.5 billion.

■ The budget also announces that the Natural Sciences and Engineering Research Council, the Social Sciences and Humanities Research Council and the National Research Council will receive an increase in funding for research and support for advanced studies of \$121 million over the remainder of this fiscal year and the next three years.

■ Building on current federal funding, an additional \$55 million over the next three years will be invested in biotechnology R&D by science-based government departments and agencies.

■ As well, the 1999 budget provides new funding for health research (for more information, see the 1999 budget booklet entitled *Strengthening Health Care*).

Disseminating knowledge

■ Smart Community Demonstration Projects. The government will invest \$60 million over three years to establish one smart community in each province, in the North and in an Aboriginal community to show how information and communication technologies can be used for community economic development and to enrich community life.

■ GeoConnections. Beginning in 1999-2000, an investment of \$60 million over five years will transform critical Canadian information that can be organized geographically into content for the information highway. GeoConnections will keep Canada at the forefront of mapping and applications ranging from search and rescue to monitoring climate change.

Commercializing knowledge

■ Funding for the successful Networks of Centres of Excellence program will increase by \$90 million over three years. This should support creation of up to eight new networks in dynamic high-growth sectors of the knowledge-based economy.

■ An additional \$150 million over three years will be invested in Technology Partnerships Canada starting in 1999-2000. This will help keep Canada at the forefront of technological innovation, open new market opportunities, and support the creation and growth of higher-technology industries.

■ The Business Development Bank of Canada (BDC) will receive an injection of \$50 million in equity. This capital will allow the BDC to provide additional financing for knowledge-based, export-oriented businesses.

■ The Canadian Space Agency will receive an additional \$430 million over three years and its annual funding will then be stabilized at \$300 million. This will support strategic investments in space projects, science and technology.

For more information:
See the 1999 budget booklet entitled
*Building a Stronger Economy Through
Knowledge and Innovation*

Supporting employment

■ Funding to the Youth Employment Strategy has been increased to \$465 million over three years, and the program has been made permanent. This will provide over 100,000 young Canadians a year with the opportunities for summer employment, internships, and career and labour market information services.

■ An additional \$110 million per year will be invested in the new Canada Jobs Fund to create sustainable, long-term jobs in regions most directly affected by high unemployment.

How can I get more information on the 1999 budget?

Information is available on the Internet at:
<http://www.fin.gc.ca/>

You can also obtain copies of this brochure or other budget documents from:

Distribution Centre
Department of Finance
300 Laurier Ave. West
Ottawa, Ontario, K1A 0G5
Tel.: (613) 995-2855
Fax: (613) 996-0518

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